



# Life Insurance AZ 2026

## Batch 1: Core Concepts (1-10)

*Verified Study Material*

# ? Question 1

**Sarah applies for life insurance on June 1 and pays the initial premium. She completes her medical exam on June 3. If the insurer finds her insurable as of June 1, when does her coverage begin?**

- [x] June 1 (Conditional Receipt) 
- [ ] June 3 (Medical Exam Date)
- [ ] Upon Policy Delivery
- [ ] After First Premium Payment

## ? Question 2

**The Medical Information Bureau (MIB) provides:**

- [x] **Medical history information shared among insurers** 
- [ ] Financial history of the applicant
- [ ] Credit score monitoring
- [ ] Details about the insurer's financial status

# ? Question 3

**Adverse selection refers to:**

- [x] Insuring high-risk individuals more frequently than average 
- [ ] Rejecting all applicants with pre-existing conditions
- [ ] Offering policies at lower premiums to attract business
- [ ] None of the above

# ? Question 4

**A binding receipt provides:**

- [x] **Immediate, albeit temporary, coverage until formal rejection/acceptance** ✓
- [ ] Coverage only after the medical exam is passed
- [ ] A guarantee that the policy will be issued as applied for
- [ ] No coverage until the policy is delivered

# ? Question 5

**The principle that larger numbers of similar risks make losses more predictable is known as:**

- [x] Law of Large Numbers 
- [ ] Risk Pooling
- [ ] Adverse Selection
- [ ] Risk Classification

# ? Question 6

**What does 'Human Life Value' approach use to determine the amount of life insurance needed?**

- [x] Earnings and financial impact of premature death 
- [ ] Current assets and liabilities
- [ ] Estimated funeral and medical expenses
- [ ] Desired lifestyle for survivors

# ? Question 7

**A 7-Pay Test is used to determine if a life insurance policy is a:**

- [x] **Modified Endowment Contract (MEC)** 
- [ ] Universal Life Policy
- [ ] Variable Life Policy
- [ ] Term Life Policy

## ? Question 8

**Which type of policy allows for partial withdrawals from the cash value?**

- [x] Universal Life 
- [ ] Whole Life
- [ ] Variable Life
- [ ] Term Life

# ? Question 9

**What is the 'Net Amount at Risk' for an insurer?**

- [x] Face amount minus the cash value ✓
- [ ] Total premiums paid minus expenses
- [ ] The cash value plus interest
- [ ] The face amount plus the cash value

# ? Question 10

**Which policy is designed to cover two or more lives and pays out only upon the death of the last surviving insured?**

- [x] **Survivorship Life (Second-to-Die)** 
- [ ] Joint Life (First-to-Die)
- [ ] Family Policy
- [ ] Group Life